

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

MERCY HEALTH SYSTEM OF : CIVIL ACTION
SOUTHEASTERN PENNSYLVANIA : Case No. 01-CV-5681
Plaintiff, :

v. :

CSI FINANCIAL, INC. :
Defendant. :

FIRST NATIONAL BANK OF : CIVIL ACTION
MONTANA, INC. and CSI : Consolidated
FINANCIAL, INC. :

Plaintiffs, :

v. :

MERCY HEALTH SYSTEM OF :
SOUTHEASTERN PENNSYLVANIA :
Defendant. :

Friday, October 17, 2003

Oral deposition of RUSS ERDMAN,
held at the Law Offices of Kittredge, Donley,
Elson, Fullem & Embick, LLP, 421 Chestnut
Street, Fifth Floor, Philadelphia, Pennsylvania
19106, commencing at 9:51 a.m., on the above
date, by and before Veronica M. Mc Kee,
Professional Shorthand Reporter and Notary
Public, Commissioner of Deeds.

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I N D E X

WITNESS

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RUSS ERDMAN

BY: MR. BRUBAKER

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(By agreement of counsel,

the sealing, certification, and filing
are waived; and all objections, except
as to the form of the question, are
reserved until the time of trial.)

RUSS ERDMAN, after having been
duly sworn, was examined and testified
as follows:

E X A M I N A T I O N

BY MR. BRUBAKER:

Q. Good morning, Mr. Erdman. My name is
Christopher Moore Brubaker. I'm an attorney.
I represent the First National Bank of Montana
in a case pending in the Eastern District also
involving Mercy Health System and CSI
Financial.

First off, is it all right with you if
I refer to Mercy Health System of Southeastern
Pennsylvania simply as Mercy?

A. Yes.

Q. You'll understand what I am referring

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1 report since it was a 90 days as a recourse
2 file and immediate notice but I would not have
3 held that assumption for subsequent recourse
4 files.

5 Q. So, by the spring of 2000 when you
6 first viewed the contract, how many recourse
7 files had you received?

8 A. To the best of my recollection, one.
9 MS. SCRIVANI: It's about 12:30.
10 What do you want to do about lunch?

11 MR. BRUBAKER: We can stop here
12 if that's --

13 THE WITNESS: It's up to you
14 guys. I just want to run to the men's
15 room for like two seconds. I'm
16 drinking all this water.

17 MS. SCRIVANI: Why don't we stop
18 for lunch. Do you want to do a half
19 an hour?

20 MR. BRUBAKER: Can we say 45?

21 MS. SCRIVANI: That's fine with
22 me.

23 - - -
24 (Whereupon, at this time a lunch

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1 recess was taken from 12:26 p.m. to
2 1:15 p.m.)

3 - - -
4 MR. BRUBAKER: Can you just read
5 back the last question and answer?

6 - - -
7 (Whereupon, the court reporter
8 read the testimony back as requested.)
9 - - -

10 BY MR. BRUBAKER:

11 Q. So, before lunch we were talking about
12 when you first viewed the contract with CSI and
13 the bank and Mercy. At that time, did you
14 obtain a better understanding of what Mercy's
15 obligations were under the contract?

16 MS. SCRIVANI: Object to the
17 form. You can answer.

18 THE WITNESS: Yes, I did.

19 BY MR. BRUBAKER:

20 Q. And what was that understanding?

21 A. That understanding was to report
22 payments that we had received back to CSI as
23 well as returns that we were requesting back
24 from CSI as well as paying for the payments and

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1 returns and recourse by CSI as per the terms of
2 the contract.

3 Q. Were you aware of those items before
4 you viewed the contract?

5 A. No, I was not.

6 Q. So, were you preparing return files or
7 payment files prior to viewing the contract?

8 A. Yes, I was.

9 Q. Did you know why you were doing it?

10 A. Yes, I did.

11 Q. And why were you doing it?

12 A. Because my vice president told me to
13 do it.

14 Q. But you didn't understand that it was
15 -- at that time that it was some relation to
16 the contract, you were just doing it because
17 you were told to do it?

18 A. That's correct.

19 Q. Did you make any changes in the way
20 you went about doing any of those things after
21 you first viewed the contract?

22 A. No, I did not.

23 Q. Now, we were also talking about the
24 immediate notice provision. And you mentioned

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1 that when you viewed the contract, that was the
2 first time you became aware of the immediate
3 notice provision?

4 A. That's correct. --

5 Q. And I believe you said that there was
6 only -- you had only received the one recourse
7 file from CSI at that time?

8 A. To the best of my knowledge, yes, we
9 had only received one recourse file.

10 Q. Did you find that unusual after
11 viewing the contract?

12 A. No.

13 Q. Why not?

14 A. I'm not sure I understand your
15 question when you say do you find that unusual.
16 Well, I mean the fact that we received only one
17 recourse file?

18 Q. Yes.

19 A. No, I didn't find that unusual.

20 Q. Why did you not think it was unusual
21 to have received only one recourse file over an
22 at that point six, seven month period?

23 A. I would assume they were collecting
24 our accounts.